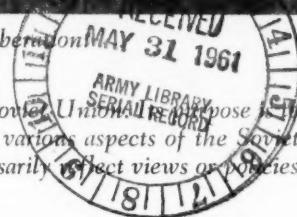


# SOVIET AFFAIRS ANALYSIS SERVICE

Distributed in the U.S. and Canada by the American Committee for Liberation  
1657 Broadway, New York 19, N. Y.

The Institute for the Study of the USSR is a free corporation of scholars who have left the Soviet Union to make available to the Free World analyses of contemporary events and detailed studies of various aspects of the Soviet system by persons who know the system intimately. Opinions expressed herein do not necessarily reflect views or policies of the Institute.



Outline Of Reference Paper On:

26 May 1961

No. 34, 1960/61

## THE NEW SOVIET DRIVE FOR ECONOMIC CONSOLIDATION

### IN EASTERN EUROPE

In recent months, reflections of a drive to consolidate economic control in East Europe have appeared in Soviet economic journals. The East European countries affected by this Soviet endeavor are the members of the Council for Mutual Economic Aid.

The broad scope of the attempt to consolidate the satellite economies is suggestive of a new phase in economic and political relations between the USSR and the East European council members.

The council, known also as the "Molotov Plan," was organized in 1949 to facilitate "the exchange of experience in economics between member countries." In the hands of the Soviet leaders, it has since become an instrument with which to regulate economic affairs of the East European nations in the "socialist camp." One way of "co-ordinating" the economies of the council members has been to subject the industries of these countries to specialization, with an eye out for the needs of the Soviet Seven Year Plan.

The Soviet economic policy is justified by the Kremlin with what Lenin called the "need for a world-wide unified economy." For the satellite nations, the road to such an economy will lead through a radical change in the economic structure, the emergence of interstate property and the creation of self-contained economic regions, which will cut across national boundaries.

Unfortunately for the Soviets, the satellites are by no means inclined to accept these plans, the nature of which was described by Lenin himself as colonial in another context. The Soviet press has had to complain about the opposition in Eastern Europe to the self-assumed leadership of the Soviet Union in the Molotov Plan.

CIRCULATION COPY 1

# SOVIET AFFAIRS ANALYSIS SERVICE

*Distributed in the U.S. and Canada by the American Committee for Liberation.  
1657 Broadway, New York 19, N. Y.*

*The Institute for the Study of the USSR is a free corporation of scholars who have left the Soviet Union. Its purpose is to make available to the Free World analyses of contemporary events and detailed studies of various aspects of the Soviet system by persons who know the system intimately. Opinions expressed herein do not necessarily reflect views or policies of the Institute.*

No. 34, 1960/61

## THE NEW SOVIET DRIVE FOR ECONOMIC CONSOLIDATION

### IN EASTERN EUROPE

A broad campaign has been recently undertaken by the Soviet Union to develop closer economic relations with its East European satellites, members of the Council of Mutual Economic Aid, or Comecon (Soviet Ekonomicheskoy Vzaimopomoshchi--SEV). The discussion being carried out in the Soviet press on how best to accomplish this goes beyond economics to include ideological, political and national aspects and indicates that what the Soviets are striving for is in fact a consolidation of the Soviet colonial empire.

The broad scope of the discussions suggests that the Kremlin is now entering upon a new phase in economic and political relations with the East European Comecon members, Poland, East Germany, Czechoslovakia, Hungary, Rumania, Bulgaria, and Albania. That these countries--Albania excepted--are politically dependent on the USSR is a well-known fact, but it is also true that they are economically dependent to a considerable degree. In 1959, for example, the SEV satellites accounted for 31,700 million rubles out of a total Soviet trade turnover of 42,100 million with the "socialist" countries, that is, for 75.2 per cent (Narodnoye Khozyaistvo SSSR V 1959 Godu, The National Economy of the USSR in 1959, Moscow, 1960).

The first place in Soviet trade with the East European "socialist" countries is occupied by East Germany because it is the main supplier of the equipment needed for the automation of Soviet industry and because it, together with Czechoslovakia, supplies most of the equipment required for the development of the Soviet chemical industry. The East German machine-building industry is intended "to provide for internal use and for export the most modern..., particularly semi-automatic... equipment" (Pravda, October 5, 1958). The successful completion of the Soviet

(more)

Seven Year Plan depends to a considerable degree on the modernization and automation of the country's industry, and East Germany is expected to play a major role in promoting them:

The most important place in the imports of the Soviet Union from East Germany is occupied by machinery and industrial equipment. The East German share in over-all Soviet imports of machinery equipment in the 1951-55 period varied between 35 per cent and 48 per cent. . . . Deliveries of . . . equipment promoted the technical equipping of some branches of Soviet industry. The role of East German deliveries in the over-all imports of equipment into the Soviet Union is extremely important (Vneshnyaya Torgovlya SSSR S Sotsialisticheskimi Stranami, Foreign Trade of the USSR with the Socialist Countries, Moscow, 1957).

Czechoslovakia, as well as the other East European satellites, is also of great importance in the development of the Soviet economy. The total industrial capacity of the lesser Comecon nations is of considerable magnitude:

In 1959 the European people's democracies accounted for almost 25 per cent of the total output of electric power in the countries of the socialist camp, 34 per cent of the coal output, about 17 per cent of the pig iron, 21, per cent of the steel, 27 per cent of cement production, 13 per cent of cotton cloth, more than 30 per cent of the sugar output (Voprosy Ekonomiki, Problems in Economics, No. 4, 1960).

In the first years of existence of the people's democracies, the Kremlin concluded with them bilateral economic agreements, but in January, 1949, Soviet initiative led to the creation of Comecon, which was to facilitate "the exchange of experience in economics between the member countries and the granting of mutual economic and technical aid" (Malaya Sovetskaya Entsiklopediya, The Small Soviet Encyclopedia, Vol. 8, 1960). In the hands of the Soviet leaders, however, Comecon became an instrument with which to regulate economic affairs and to exploit the East European satellites. Regulation was to include "the specialization and co-operation of the main interconnected branches of the economy, the rational location of production forces in the world

(more)

socialist system, the specialization and co-operation of the socialist countries in scientific and technical research." "Rational location" meant the "division of labor on a territorial basis," in other words, Moscow would determine what each country was to produce and in just what amounts (Voprosy Filosofii, Problems In Philosophy, No. 3, 1961).

Specialization and co-operation were first applied in machine building and led to a reduction in the number of different types of machines and machine tools manufactured. Czechoslovakia reduced the number of types of metal-working machine tools from 62 to 47, East Germany from 64 to 56, Poland from 40 to 35, Hungary from 20 to 16 (Voprosy Filosofii, No. 3, 1961). This centralized Soviet planning was later extended to metallurgy, the fuel and power industries and other important branches of the industry. "At present the economic plans of the member countries of SEV are co-ordinated until 1965" (*ibid.* p. 25). This means that the economic development of the East European satellites has been made dependent on the Seven-Year Plan. With the aid of SEV, the Soviets are presently attempting to establish the general lines of economic development of the East European satellites for the fifteen years from 1965, that is down to 1980 (Pravda, March 28, 1961).

Ironically, the Soviet economists themselves have admitted that an international division of labor is an offshoot of the capitalist social system and an indication of colonialism: "International division of labor developed spontaneously in the conditions of capitalism. Born of the need to develop productive forces, it turned into a brake on their further progress, maintaining and furthering the economic backwardness of most countries in the world (Problemy Mira I Sotsializma, Problems of Peace and Socialism, No. 4, 1961).

As theoretical justification for co-ordinating the socialist economies, the Communist authorities cite Lenin's reference to the need to create a "world-wide unified economy" (Sobranie Sochinenii, Collected Works, Vol. 31, p. 135) and arguments by Khrushchev that "socialism... has engendered new forms and methods of achieving it" (Problemy Mira I Sotsializma, No. 3, 1961, p. 4).

These new forms and methods, it is now being said, amount to a "leveling out of the economic development," that is, to a reorganization of all branches of the satellite economies along the lines applied in the Soviet Union (Voprosy Ekonomiki, No. 3, 1961; Kommunist, No. 6, 1961). Soviet theoretical studies on the problem stress that this reorganization, which is part of the further development of "production relations,"

(more)



will be "independent of existing state boundaries." (Problemy Mira I Sotsializma, No. 4, 1961, p. 5). Taking as their model the reorganization of the Soviet economy through the creation of economic councils in self-contained economic regions, the Soviet leaders are suggesting that the satellites create economic administrative units which will cut across national boundaries. One such economic region, according to Problemy Mira I Sotsializma, would consist of Poland, East Germany, and Czechoslovakia.

While reorganization is being advocated by the Soviet Union as part of the transition to Communist relations between states and peoples, it is all too obvious that it constitutes a form of Soviet imperialism. The mutual relations between the USSR and the satellites are presently developing in the manner which Lenin said was typical of capitalist colonialism:

When speaking of the colonial policy in the epoch of capitalist imperialism, it must be noted that financial capital and the corresponding international policy, which is nothing more than a struggle of the great powers to divide the world economically and politically, create various transitional forms of state dependence. Typical of this epoch are not only two main groups of states--those possessing colonies and the colonies themselves--but also the varied forms of dependent countries, which politically are formally independent, but in fact are tied by a network of financial and diplomatic dependence (Lenin, Sobranie Sochinenii, Vol. 19, p. 139).

As further justification of its policy in Eastern Europe, the Kremlin has advanced a new thesis, that of the need for international property:

The unceasing consolidation of economic ties between the socialist countries on the basis of an international division of labor between them is part of the normal development of the world economic system of socialism. A further development... will inevitably lead to the formation of inter-state property, whose importance in the development of the world socialist system will constantly grow (Voprosy Filosofii, No. 3, 1961 p. 26).

(more)

Unfortunately for the Soviets, the satellites are by no means inclined to accept Moscow's plans. In recent months, the Soviet press has been filled with reports of manifestations of "hostile national tendencies," "strivings for economic autarky," and attempts to offer opposition to the leading role of the Soviet Union in the development of the East European economies:

Nationalist prejudices are among the most tenacious relics of the past. A decisive and uncompromising struggle is required against them. The need for a struggle against this evil is dictated both by the tasks of consolidating the unity of the socialist camp and by the overriding national interests of each socialist country... (Problemy Mira i Sotsializma, No. 4, 1961, p. 8).

In turn, many Communist theoreticians in the satellite states are endeavoring to show that there must be limits to the so-called "international division of labor" proclaimed by Moscow. The Soviet press counters as follows: "In our opinion, the assertion of some economists as to the fixing of maximum proportions in the international division of labor is incorrect and untrue" (Voprosy Filosofii, No. 3, 1961, p. 22). The existence of such internal opposition is further proof that the Kremlin is applying colonialist methods in Eastern Europe. Long ago Soviet theoreticians defined colonialism as "the actions of an economically and politically more developed state, which are designed to bring into the circle of its influence and finally subjugate a less powerful state..." (Malaya Sovetskaya Entsiklopediya, Vol. 4, 1919, p. 44). Applying this definition to Soviet policy in Eastern Europe, one can conclude that this policy is perhaps not neo-colonialism at all but colonialism pure and simple.